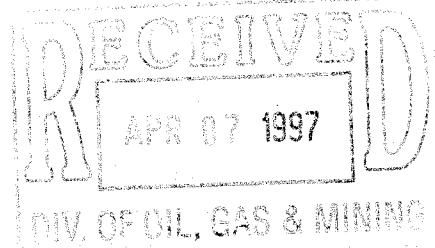


Kennecott Utah Copper Corporation  
8315 West 3595 South  
P.O. Box 6001  
Magna, Utah 84044-6001  
(801) 252-3179  
(801) 252-3125 (FAX)

Elaine J. Dorward-King, Ph.D.  
Director, Environmental Affairs

April 4, 1997



**Kennecott**

Mr. Wayne Hedberg  
Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple  
Suite 1210  
Salt Lake City, Utah 84114-5801

**RE: Kennecott Utah Copper Corporation (KUCC) Dry Fork Canyon Water Management Project, Bingham Canyon Mine, M/035/002**

Dear Mr. Hedberg:

This letter responds to your December 20, 1996 letter to me regarding the Dry Fork Canyon Water Management project. KUCC originally requested a permit amendment for the Dry Fork project approximately a year ago. In its July 23, 1996 response to this request, the Division indicated that it would require the Dry Fork facilities to be reclaimed "when they are no longer required as part of the long term water management program" and that a reclamation plan and bond for these facilities would be necessary. In September 30, 1996 letter, KUCC withdrew its request for review based on the fact that the project will continue to be needed for non-mining purposes after mining operations cease and on our position that the project is not a mining related facility or operation. In your December 20<sup>th</sup> letter, you expressed the Division's disagreement with this position but suggested that, even though the project is mining related, reclamation and bonding would not be required if KUCC could provide supplemental information supporting and strengthening KUCC's position for the continued post-mining use of these facilities. KUCC is hopeful we can reach agreement that reclamation and bonding are not necessary for this project and offers the following supplemental information as requested by the Division.

The Dry Fork Water Management project is part of KUCC's overall Water Resources Management Program that was discussed in our December 13, 1996 meeting and further discussed in KUCC's March 24, 1997 letter concerning the Secondary Tailings Pipeline. The Dry Fork facilities will collect and distribute "clean" and/or "gray" water for immediate use in the Copperton Concentrator and for ultimate use as a source of culinary and/or irrigation water. This ultimate use is guaranteed by the value of the water to be collected and distributed by the Dry Fork facilities. KUCC has been approached by several municipalities that are interested in clean and gray water for culinary and irrigation purposes. Delivery of water to these (or other) users could occur long before mining

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Mr. Wayne Hedberg

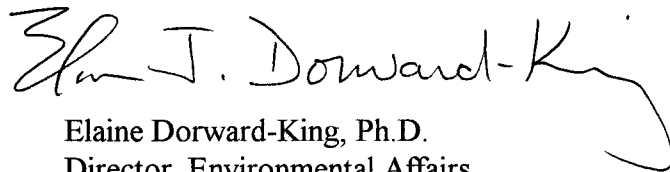
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operations cease. Clean and gray water types are becoming increasingly scarce commodities in the Salt Lake Valley. Because of the scarcity of the water in the valley and the ever-increasing demand, the value of the water will significantly increase with time. KUCC estimates that the Dry Fork Water Management project will collect and distribute approximately 2,000 acre-feet/year of water suitable for culinary and/or irrigation water use. At this production rate and assuming conservatively a water rights value of \$400/acre-foot/year, the water collected in Dry Fork Canyon will be worth approximately \$800,000 per year. The Dry Fork facilities will be essential to capture this substantial value.

In sum, reclamation and bonding for the Dry Fork facilities are not necessary because the substantial value of the water will ensure their continued operation and proper maintenance. Thank you again for your cooperation in resolving this matter. Please do not hesitate to call me at 252-3179 to discuss any aspect of the Dry Fork Canyon Water Management project.

Sincerely,

A handwritten signature in cursive script, reading "Elaine J. Dorward-King". The signature is written in dark ink and is positioned above the printed name and title.

Elaine Dorward-King, Ph.D.  
Director, Environmental Affairs